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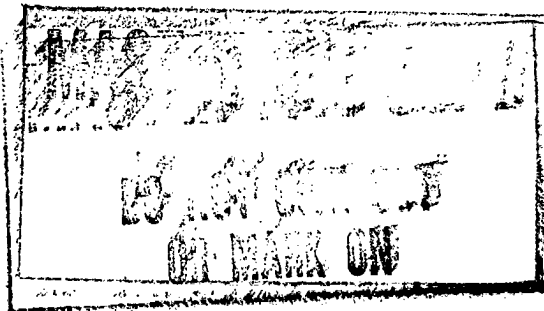
The Soviet System in Crisis: Prospects for the Next Two Years

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National Intelligence Estimate

Key Judgments

*These Key Judgments represent the views
of the Director of Central Intelligence
with the advice and assistance of the
US Intelligence Community.*



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November 1989

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*The following intelligence organizations participated
in the preparation of these Key Judgments:*

The Central Intelligence Agency
The Defense Intelligence Agency
The National Security Agency
Bureau of Intelligence and Research,
Department of State

also participating:

The Deputy Chief of Staff for Intelligence,
Department of the Army
The Director of Naval Intelligence,
Department of the Navy
The Assistant Chief of Staff, Intelligence,
Department of the Air Force
The Director of Intelligence,
Headquarters, Marine Corps

*The National Foreign Intelligence Board concurs,
except as noted in the text.*

*The full text of this Estimate is being published
separately with regular distribution.*

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The Soviet System in Crisis: Prospects for the Next Two Years

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- *The Soviet domestic crisis will continue beyond the two years of this Estimate regardless of the policies the regime pursues. The regime will be preoccupied with domestic problems for years to come, will want to keep tensions with the United States low, and will probably still pursue agreements that reduce military competition and make resource trade-offs easier.*
- *Despite the enormous problems he faces, Gorbachev's position in the leadership appears relatively secure, and he has increased power and political room to cope with the crisis.*
- *There will be greater effort to define the limits of political change, a tougher approach on ethnic issues, and some retrenchment in media policy; but the process of political liberalization will expand with the legislature and independent political groups increasing in power at party expense.*
- *The regime will concentrate on stabilizing the economy and, while pulling back on some reforms, will push for others designed to enlarge the role of the market and private enterprise.*
- *Despite these efforts, we expect little improvement—and possibly a decline—in economic performance as well as further increase in domestic turmoil. Of several conceivable scenarios:*
 - *Community analysts consider it most likely that the regime will maintain the present course, intensifying reform while making some retreats.*
 - *In a less likely scenario that all analysts believe is a possibility, the political turmoil and economic decline will become unmanageable and lead to a repressive crackdown, effectively ending any serious reform effort. (The CIA's Deputy Director for Intelligence disagrees with both scenarios. See page 5.)*

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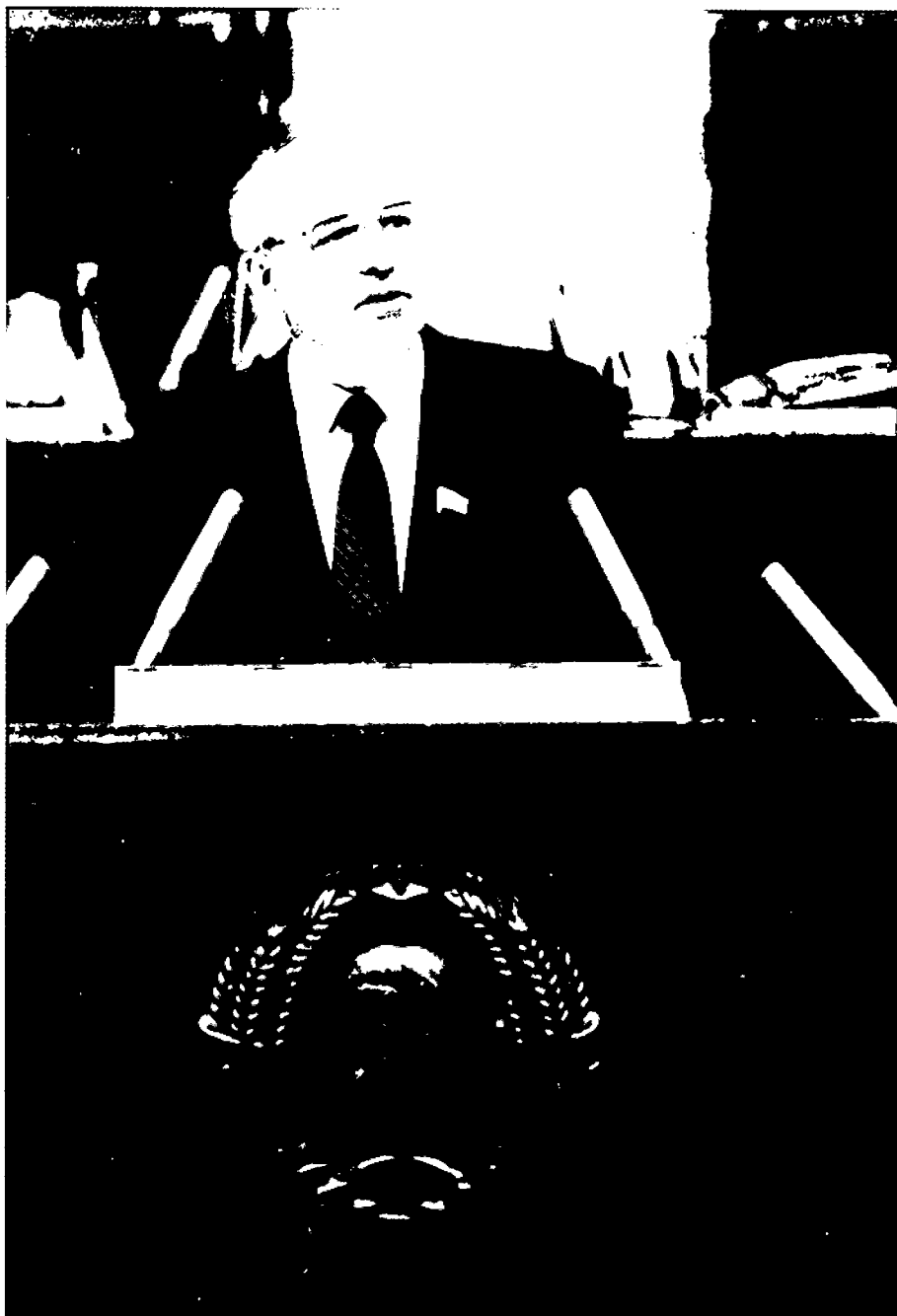
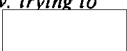
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*President Gorbachev: trying to
cope with the crisis.*



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Key Judgments

The crisis, precipitated by long-simmering problems and Gorbachev's policies to address them, will continue over the next two years and beyond and could threaten the system's viability:

- Ethnic problems are endemic: conflict between the center and regions will increase as will interethnic strife, and the regime can at best hope to manage and cope with these problems, not resolve them.
- Economic ills are deeply rooted in the system, and efforts to reform it will be slowed by the priority given to stabilizing the economy.

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At the same time changes in the Soviet leadership during the last year have made Gorbachev's position relatively secure over the next two years and portend a more radical approach to addressing the nation's daunting problems. We believe:

- Gorbachev's power has been significantly enhanced with the weakening of the leadership's orthodox wing and the development of a second power base in the legislature.
- The coming local and republic legislative elections and the party congress next October will probably further undermine the role of the party apparatus, increase the power of the legislature in decisionmaking, and bring a de facto multiparty system to some republics.
- More stringent measures—possibly including some retail price increases and a domestic currency devaluation—are likely to be imposed as part of the current economic stabilization program. Although the need to stabilize the economy has slowed the economic reform effort, we expect to see the introduction of a number of controversial measures—including a redefinition of property rights, a new taxation system, and antitrust legislation—that are designed to enlarge the role of the free market and private enterprise.
- To pursue this course and arrest the growing fear of anarchy in the country, Gorbachev will try to rein in somewhat the now freewheeling Soviet press and be tougher in defining the boundaries of the political and economic autonomy for the country's minority nationalities; he already has and will continue to use repressive measures *if necessary* to control communal violence or prevent secession.

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In view of the continuing turmoil, whether Gorbachev can maintain a reformist course with some tactical retrenchment is uncertain and open to considerable debate. The next two years will undoubtedly be one of the most tumultuous periods in Soviet history. [REDACTED]

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Tangible benefits from *perestroyka* will be relatively few, although intangibles (greater freedom and religious toleration) will be more apparent. Overly ambitious targets for the production of consumer goods are unlikely to be met. Labor strikes are certain. The enhanced role of the legislature will make needed austerity measures more difficult to pursue and likely compromises will reduce economic effectiveness. [REDACTED]

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Under these conditions, several scenarios are in the realm of possibility, but two are considered to be much more likely than the others. Most Community analysts hold the view that *a continuation and intensification of the current course is most likely* and believe that, despite the obvious difficulties, the turmoil will be manageable without the need for repressive measures so pervasive that the reform process is derailed:

- The politicization of the populace along with the expanding authority of the legislature are changing the system, giving political reform a broader and deeper base, and making it much more difficult and costly to turn back the clock.
- Although ethnic assertiveness will continue and Baltic peoples will strive for self-determination, the drive for secession will probably be blunted in this period by the regime's more sophisticated use of concessions and warnings and the desire of Baltic leaders to negotiate rather than confront.
- As difficult as the economic situation will be, the regime probably can prevent the supplies of food and consumer goods from declining to the point of provoking large-scale unrest. [REDACTED]

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In a less likely scenario that all accept as a possibility, the ongoing turmoil will get only worse and lead the regime, with or without Gorbachev, *to use massive force to hold the country together and save the regime*:

- Democratization will accelerate system fragmentation and make it impossible to take necessary austerity and economic reform measures.
- An exacerbation of supply problems—by an upsurge in strike activity, transportation bottlenecks, or severe weather—could increase shortages and lead to social upheaval.

- While trying to avoid confrontation, the interests of the Baltic peoples and Moscow are bound to clash dramatically leading to much harsher measures by the center to regain control. []

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Events in Eastern Europe are certain to play a role in determining which scenario the USSR follows in the next two years. As long as the transformations in Eastern Europe do not spiral out of control, they will reinforce the trend toward radical reform in the Soviet Union. In the unlikely event that Moscow deems it necessary to use Soviet troops to restore order and prevent the disintegration of the Warsaw Pact, *perestroyka* in the USSR would be dealt a serious, if not fatal, blow. []

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Either scenario points toward the continuation of current foreign and security policies, at least for the two years of this Estimate. Gorbachev will still push hard for various arms control agreements. Eastern Europe will continue to have heretofore unthinkable leeway to democratize, effectively changing the Warsaw Pact into more of a political alliance than a military one. Even if a crackdown occurred under Gorbachev or another leader, the preoccupation with internal problems would be paramount, the desire to avoid increased tensions high, and the effort to shift resources toward consumption strong. A different regime would not, however, be as inclined to make major concessions to achieve various arms control agreements or be as accommodating to centrifugal trends in Eastern Europe. []

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Alternative View

The CIA's Deputy Director for Intelligence believes that the Estimate does not adequately capture the likely scope of change in the USSR over the next two years. []

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Assuming Gorbachev holds on to power and refrains from repression, the next two years are likely to bring a significant progression toward a pluralist—albeit chaotic—democratic system, accompanied by a higher degree of political instability, social upheaval, and interethnic conflict than this Estimate judges probable. In these circumstances, we believe there is a significant chance that Gorbachev, during the period of this Estimate, will progressively lose control of events. The personal political strength he has accumulated is likely to erode, and his political position will be severely tested. []

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The essence of the Soviet crisis is that neither the political system that Gorbachev is attempting to change nor the emergent system he is fostering is likely to cope effectively with newly mobilized popular demands and the deepening economic crisis. []

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